

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**SB 113 - HB 102**

February 23, 2015

**SUMMARY OF BILL:** Makes various technical changes to the Access Tennessee Act of 2006. Redefines credible coverage to mean coverage that provides the minimum essential coverage required under 26 U.S. Code § 5000A. Authorizes Access Tennessee to purchase policies of insurance and authorizes coverage to be obtained through the commercial market. Deletes code prohibiting providers from charging enrollees or third parties fees beyond co-pays and deductibles. Extends the termination date of the Act for five years through June 30, 2020.

**ESTIMATED FISCAL IMPACT:**

**Decrease State Expenditures – Net Impact - \$13,257,400**

**Funding for this bill in the amount of \$3,999,800 (page B-175 of the Budget document) and a base reduction of \$13,257,200 (page 24 of the Budget Volume 2) is included in the Governor's proposed FY15-16 budget.**

**Assumptions:**

- The Access Tennessee Act, Public Chapter 867 of 2006, authorized and implemented the state's high risk pool, AccessTN, providing comprehensive health coverage to Tennesseans who were uninsurable because of health status. The Act is set to terminate on June 30, 2015.
- The state's request for AccessTN to be designated as minimum essential coverage (MEC) under federal regulations was denied on August 8, 2014. As a result, the AccessTN Board of Directors voted to purchase individual health coverage plans for enrollees. These plans were effective January 1, 2015.
- The provisions of the bill codify the AccessTN program as it currently functions.
- The program is not accepting new members and is limited to 445 total members per the current contract language.
- The maximum per member per month (pmpm) rate is \$700 resulting in an annual cost of \$3,738,000 (445 members x \$700 pmpm x 12 months).
- The state will incur administrative costs of \$261,800 which includes contracted administrative costs and the AccessTN administrative allocation of the Cover Tennessee Health Care Programs.
- The FY15-16 base budget for the AccessTN program was \$17,257,200. The proposed changes to the program will result in a decrease in expenditures of \$13,257,400 [ $\$17,257,200 - (\$3,738,000 + \$261,800)$ ].

## **IMPACT TO COMMERCE:**

**Other Impact – The health insurer and providers providing health coverage will realize a decrease in state funded revenue estimated to be \$13,257,400 for the decrease in expenditures associated with the AccessTN program. It is unknown to what extent total expenditures for this program will decrease in relation to the enrollees’ share of costs and costs associated with claims payments to the insurer and the providers; therefore, the net impact to commerce is indeterminable.**

### **Assumptions:**

- The typical AccessTN member is suffering from high-risk, high-cost medical conditions.
- Based on information provided by the Division of Health Care Finance and Administration (HCFA) to the Fiscal Review Committee in October 2014 regarding the contract amendment to implement the AccessTN changes, transitioning the program members to provide services through policies of insurance for health insurance coverage will lower out-of-pocket maximums while allowing the members to access their same provider network.
- The current AccessTN contract required the state-designated insurance plan to provide comparable benefits and the state is covering the full cost of the premium instead of a shared monthly premium between the state and the member.
- Premium rates will vary depending on the age, geographic area, and tobacco use status of the members. These premium variances and the status of each AccessTN member are unknown.
- The “Silver Level Qualified Health Plan” is defined in the contract as coverage providing an actuarial value of 70 percent. Actuarial value reflects the average share of medical spending that is paid by the plan for a standard population, as opposed to out-of-pocket by the consumer in copays and deductibles.
- With the reduction of state expenditures estimated to be \$13,257,400 and the reduction of out-of-pocket maximums that each member will be responsible for, it is reasonably estimated there will be a decrease in the amount of funding the contracted vendor will receive from both the state and the member.
- It is unknown what the previous average share of medical spending paid by the plan was as compared to the current actuarial value of 70 percent and the change in the expenditures by the plan will be as a result.
- It is estimated that there will be some shift in expenditures from the state and members to the plan and providers, but the amount of that shift is unknown and the net fiscal impact to commerce cannot reasonably be determined.

## **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in dark ink, reading "Jeffrey L. Spalding". The signature is fluid and cursive, with the first name "Jeffrey" and last name "Spalding" clearly legible.

Jeffrey L. Spalding, Executive Director

/kml